

THE IMPACT OF PUBLIC GOVERNANCE QUALITY, ACCOUNTABILITY AND EFFECTIVENESS ON INTENTION TO PAY ZAKAT: MODERATING EFFECT OF TRUST ON ZAKAT INSTITUTION

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ABSTRACT

Zakat in Islam is assumed to be one of the important mechanisms for eradication of poverty among Muslim Ummah. Although zakat is vital for the survival of low income earners in Muslim countries, but the payment of zakat is still at low level in Kano Nigeria. It is important to understand why businessmen are not paying their zakat to zakat commission in Kano Nigeria. The objective of this paper is to propose public governance quality, accountability and effectiveness as independent variable and intention to pay zakat as dependent variable. Similarly trust on zakat institutions will be used in the study as moderating variable. Furthermore, the study intent to use questionnaire for the purpose of data collection using survey method, and suggested the use of Partial Least Square techniques using SmartPLS software for data analysis. It is hope that if this paper is validated empirically will help zakat institution in its policy making.

Keywords: Public governance quality, intention, accountability, effectiveness, Trust.

1. INTRODUCTION

Zakat means "to be pure, to spread, to boost," It originates from the root letters za, kaf, ya, which has numerous meanings: to be Polish [Al-Quran Chapter 24: Verse 21, Chapter 23: Verse 4], to pay the mandatory charity [Al-Quran 2:43], to be pure, guiltless [Al-Quran 19:19, 18:74], to be superior in purity [Al-Quran 18:81, 19:13], and to praise oneself, to justify [Al-Quran 53:32]. It has been applied in Holy Quran to mean all of these things. It can also be considered a form of sadaqah (charity), given to the deprived.

Although zakat payment is compulsory in Islam on every Muslim that has a minimum of nisaf the payment is not encouraging in Kano Nigeria. In 2012, the total amount collected from businessmen in Kano was just N6,876,000.00 equivalent to \$34481.72. According to zakat institution in Kano the amount is too small for distribution to about nine million Asnaf in Kano (Kano State zakat and Hubsu Commission [KSZHC]). As a result of nonpayment of zakat to authority Kano state government had to contribute N1, 318, 309, 542.24.(\$6611050.31) over the last ten years to zakat commission for distribution to Asnaf, the funds could have been used for the development of the state. Thus, a lot of campaign was

conducted to persuade people to pay their zakat; the action could not yield any positive result. The attitude of nonpayment could be attributable to the quality of governance in the state. Although, according to Alabede (2012) there is no general agreement on what constitute governance. On the other hand, Kaufmann, Kraay, and Mastruzzi, (2007) argued that public governance quality consists of government effectiveness, accountability, control of corruption, political stability, provision of quality services and adherence to the rule of law. United Nation (UN, 2007) reveals that there are three types of governance's namely public/political, economic and social governance.

The study will focus on public governance quality and intention to pay zakat, which is believed to go hand in hand. Hence, good public governance will lead to high positive intention, at the same time poor intention may be as a result of bad governance. Social exchange theory posited that parties' relationship is always based on a reciprocal, zakat payers paid their Zakat in fulfilling their religious obligation as a Muslim; their expectation is that zakat institution will distribute the fund honestly so as to reduce poverty among Muslim Ummah. In a situation where people's trust in the system is partial their intention to comply may not be positive, this will give room for nonpayment of Zakat. The study will focus on the relationship between public governance quality and intention to pay Zakat. Again, a role of trust will be examined as the study moderator.

Given the meaning of Zakat and importance of public governance quality, Kano state established zakat commission with the following objectives. Firstly Zakat institution will govern all affairs relating to Zakat and Husbsi. Secondly, to receive Zakat, Hubsu, and Sadaqat from the individual. Thirdly, to distribute collected funds to asnaf. The Final objective is to invest by Islamic injunction (Dahiru, 2011). Zakat institution can only achieve its goals if the governance quality is efficient. The present noncompliance to Zakat payment in Kano signifies a lack of confidence on the side of Zakat payers to Zakat organization (KSZHC, 2014). For example, the total amount collected in Kano Nigeria in 2013 is just N 12,867,751.50 (RM 247,456.76), compared to about nine million (9,000,000:00) number of Asnaf the collection is small. Therefore, an investigation of the public governance quality of the institution is vital to assess the level of Zakat institutions' efficiency in Nigeria. Hence, this study aims to evaluate the public governance quality of Zakat institutions in Nigeria, and additionally, examine the moderating role of trust on the relationship between public governance quality and intention to pay Zakat.

2. INTENTION TO PAY ZAKAT

The intention is an important element for accepting or rejecting a particular behavior. Previous researchers (Fishbein and Ajzen 1975; Ajzen and Fishbein, 1980; Ajzen and Madden 1986; Ajzen 1991; Ajzen 2002; Ajzen 2005) are of the view that predictor of behavior is closely related to intention. Similarly, in the theory of reasoned action as initiated by Ajzen and Fishbein intention assumed to capture motivational factors that influence the behavior. Also, the probability of someone to perform a particular behavior is dependent on his intention. Furthermore, the theory concludes that subjective norms, attitude and perceived behavioral control are significant predictors of behavioral intention.

3. PUBLIC GOVERNANCE QUALITY AND INTENTION TO PAY ZAKAT

The quality of governance depend on the manner the constituted authority exercise its power to achieve its objective; power can be used in both proper and wrong way. In 1997 united nation defines governance as the method in which the power is implemented in the management of the organization (United Nations Development Programme, UNDP, 1997). Efficiency, on the other hand, measured how well organization uses its available resources to meet its desired objectives (Farrell, 1957). In the context of Zakat institutions, governance refers to the procedure and structure in managing and directing the activities of the Zakat organization towards increasing social welfare of the legal Zakat recipients as well as establishing accountability to the Zakat payers. Efficiency, on the other hand, refers to the excellent utilization of the resource regarding handling and distribution (Norazlina& Abdul Rahin 2011). According to Polliti. (2011) Government quality and effectiveness can be categories into three stages input, processes and outcomes, i.e., Quality of government personal, time spent by senior management in dealing with the official document and finally public satisfaction.

The performance of any institution is dependent on its ability to use its input actually to produce reasonable output. Public and private sector's performance are measured using three E's i.e. efficiency, economy and effectiveness. Efficiency deals with two things (input and output) it measures how creative inputs are converted into outputs. Economy, on the other hand, represents the relationship between resources budgeted or expended for an activity and what is received from a particular activity. Whereas effectiveness focus on the direct result of the organization, output to be specific (Abdul Wahab, Abdul Rahim, & Abdul Rahman, 2013). Zakat institution in some Muslim countries started as voluntary affairs. In many others, places are controlled by the government. Whether the Zakat organization is voluntary or own by the government, quality of collection and distribution is an essential element. The intention of an individual plays a significant role in determining the Zakat payer's compliance behavior (Saad & Haniffa 2014). For individual intention to be positive the efficiency, economy and effectiveness most be significant.

Performances of Zakat institutions are dependent on the resources, processes, and stakeholders. Noor, Abdul Rasool, Ali and Abdul Rahman (2015) proposed an index that attempted to measure the performance of participating zakat institutions in Malaysia. Their findings revealed that adequate input, the managing process, and resultant output played a crucial role in influencing performances.

The reality about Zakat collection in many Muslim countries is still small. Salih (1999) identified four factors that are responsible for the low collection of Zakat in Islamic countries. Firstly, High administrative costs in managing Zakat fund (up to 30% of zakat collected). Secondly, the ineffectiveness of Zakat receiving organizations. Thirdly, Lack of confidence among Zakat payers on the current Zakat's collection and distribution lastly, Ineffectiveness of information dissemination on the importance of paying zakat through the institution. According to Kahf (1999) the low level of Zakat collection leads to the insignificant contribution of Zakat to gross domestic product. Among the problems of Zakat collection is

the issue of public governance quality as indicated by the findings of (Salih 1999). Thus, the following proposition is developed.

P1: Public governance quality will significantly and positively influence intention to pay zakat.

4. ACCOUNTABILITY AND EFFECTIVENESS OF ZAKAT INSTITUTIONS

Effectiveness and accountability of Zakat institution are an important factor that for the success of Zakat institution. Noraliza and Abdulrahim (2012) in their paper examine the Malaysia Zakat institutions efficiency during 2003-2007. They differentiate between the three different types of efficiency, i.e. scale, technical and pure technical efficiency by the use of preferred non-parametric Data Envelopment Analysis (DEA) as a methodology. Noraliza et al., (2012) argue that Zakat institution in Malaysia is efficient technically with 80.6% mean. Again, the scale of inefficiency is controlled by pure technical inefficiencies. Consequently, efficiency will be improved if the use of input (entire disbursement and staff) is efficient. It is expected accountability and effectiveness will influence intention to pay Zakat in Kano Nigeria. Thus, the next proposition is developed.

P2: Accountability of Zakat institution significantly influences intention to pay Zakat.

P3: Effectiveness of Zakat institution significantly influences intention to pay Zakat.

5. TRUST ON ZAKAT INSTITUTION AND INTENTION PAY ZAKAT

Significant Number of researchers reveals that trust has a positive relationship with commitment and Intention (Morgan & Hunt, 1994; Anderson & Weitz, 1989). In the same way, some scholars argue that the increase in both trust and interdependence is a major factor that increase member's commitment. (Kumar et al., 1995; Ganesan, 1994; Anderson & Weitz, 1989). Thus, it is expected; trust will influence intention. Hence, the next proposition is offered.

P4: Trust significantly influence intention to pay Zakat

6. PUBLIC GOVERNANCE QUALITY, ACCOUNTABILITY, EFFECTIVENESS, TRUST ON ZAKAT INSTITUTION AND INTENTION PAY ZAKAT

Earlier most studies conducted on Zakat focused on numerous areas including accounting (Ismail and Sanusi, 2004; Abdul Rahman, 2003), theoretical (Tarimin, 1995; Mujitahir, 2003), Muslim awareness and payment behavior (Ahmad et al., 2005; Nor, Wahid, and nor, 2004; Idris and Ayob, 2002) and legal and compliance (Idris, Ali, and Ali, 2003; Ahmad, 2004). However, it is apparent that only a few studies examined the performance of Zakat institutions. Noor et al., (2005) focus on the performance of Zakat collection and distribution. Nor Ghani, Mariani, Jaafar and Nahid (2001) and Ahmad et al., (2005) conducted their studies on the privatization and the performance of Zakat institutions. Norazlina and Abdul Rahim (2013) focus on efficiency of Zakat organization in the context of Malaysia. Some focus on compliance behavior (Saad 2012, Saad and Haniffa 2014; Zainol 2009, Zulkifi and Sanep 2011, Kamil 2002). However, discussion about the relationship between public governance quality, accountability, effectiveness and intention to pay zakat using trust as a moderator was limited in Zakat environment and not yet been found in the literature. Thus

examining this variable in the context of Zakat institutions would offer a significant contribution in fulfilling the existing gap. Therefore, this study is necessary. Thus, the following proposition is developed.

P4: Trust moderates the relationship between Public governance quality and intention to pay Zakat.

P5: Trust moderates the relationship between Accountability and intention to pay Zakat.

P6: Trust moderates the relationship between Effectiveness and intention to pay Zakat.

7. FRAMEWORK

A lot of studies was conducted on the efficiency of the private and public sector (Ibrahim and Salleh 2006; Sarker and De 2004; Ruggiero and Vitaliano 1999). For example, the study conducted by Husain et al. (2000) on efficiency of public sector using the Data Envelopment Analysis (DEA) with multiple inputs and multiple outputs. Their result indicates that only 11 services units out of 46 service units score above 50 on the efficiency scores. Likewise, Ibrahim and Salleh (2006) used stochastic frontier model and tested the performance of local governments in providing public goods. They categorize local government into three: district council for small urban centers, city councils for city centers and municipality for large towns. The study concludes that most of the Malaysian local governments observed cost is 59% inefficient than best practice cost. The result further reveals that local municipality council are more incompetent than the district council.

In the field of zakat, there is limited evidence of the studies that examined the public governance quality and intention to pay zakat using trust as a moderator. Based on the above empirical evidence, Figure 1 shows the proposed theoretical framework illustrating the moderating role of trust in public governance quality and intention to pay Zakat. Thus, the present study is timely.

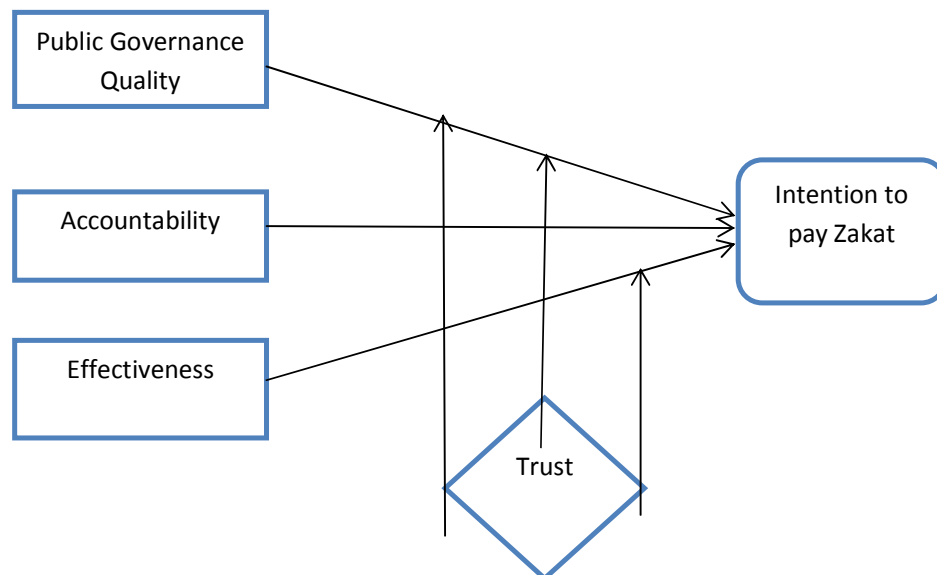


Fig. 1: Public governance quality, Trust on Zakat Institution and Intention to pay Zakat

8. CONCLUSION

This paper has proposed the moderating role of trust on the relationship between Public governance qualities, accountability, and effectiveness of intentions to pay zakat depicted in Figure 1. If the proposed framework is validated, the findings will provide insight to Zakat Institution, Government and Zakat payers.

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